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1. The Chief Justice of Kengtung states that the Chinese population of the town of Kengtung and environs, numbering almost 50 percent of the total population of the town and controlling most of its trade, is largely Mandarin-speaking Yunnanese. Several waves of immigration have caused this: In the first place there is the relatively small pre-war Chinese population of Kengtung. Secondly, during the war, there was a wave of Yunnanese immigration of farmers and opium-growers who found life in the Shan States easier than in Yunnan. Thirdly, during the Thai occupation of Kengtung during the war, a number of Chinese (Tao-Chiu, Cantonese, etc.), residents of Thailand, came and settled in Kengtung for various reasons. Fourth, in 1946, a number of deserters from the Chinese army of occupation of Laos and Tonkin settled in Kengtung. Fifth, there has recently been an influx of Chinese officers and soldiers from disintegrating units of the Chinese National Army. Sixth, a number of wealthy Chinese refugees from Kunning and other cities of China have recently arrived in Kengtung.
2. The Chief of the Chinese community states that, unlike Thailand and Indochina, where there is a separate "community" for the various groups of Chinese (Tao Chiu, Cantonese, Hakka, Hainanese, etc.) there is only one community of Chinese in Kengtung. As this community acts for the protection of the Chinese in Kengtung, most of the local Chinese sooner or later join it. There is no Chinese consul or other diplomatic representative in Kengtung; the official representative of the local Chinese is the Chief of the community.
3. The name of the Chief of the Chinese community is CHANG Fu-chu* (張福初). He was born in Kunming about 1898. He speaks Mandarin, Thai, and Shan. He came to Kengtung about 1923 and engaged in opium growing, amassing a large fortune. The opium plantation company owned by him is called Paya Seyma (Snita Paklee). He became the head of the Chinese community about 1944. His immediate superior is the Chinese Consul in Chiangmai, who is also charged with the duty of looking after Chinese interests in Kengtung. Through him, CHANG is subject to the Chinese Ambassador in Bangkok. CHANG often goes to Bangkok, both for private business and to consult with the Ambassador. On 18 June 1949, he left for Hongkong (via Bangkok) for the first time in four or five years. The purpose of his visit was to consult with the Chinese National

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Government in Canton. He was to remain in China 15 or 20 days and then return to Kengtung. He was full of confidence as to the success of those plans, provided the National Government would give suitable aid. The Communists have penetrated into almost every hsien in Yunnan, but by their arbitrary conduct (seizure of livestock, forced recruiting of troops, levy of "taxes" and indemnities) have alienated the people. Consequently he thinks that the success of vigorous resistance by the Nationalists in Yunnan is very promising. His proposed plan includes: (a) propaganda to convince foreign newspaper men that the Kuomintang is far from dead in Yunnan; (b) propaganda to stiffen the pro-Nationalist sentiment of the Yunnanese civilians; (c) help in money and arms from the Canton government; (d) organization of resistance and guerrillas in Yunnan; (e) assistance in this project which has been assured by the Regent of Kengtung.**

4. The "Chief of the Political Section of the 93d Division of the Chinese Army"*** LIU Shao-hung (5214254) is now in Kengtung. He is Cantonese, and about 60 years of age. During the war, he was stationed in Liuchow. After the war he went to Laos to disarm the Japanese. After the evacuation of the Chinese from Laos, he returned to Kunming. He was later transferred to Mengtzu. During late 1948, the troops of the 93d Division at Mengtzu were subjected to constant attack by the Communist insurgents. "A few of the more weak-minded" joined the Communists. In early 1949, when these attacks became too persistent, the General with about 2,000 troops of the 93d Division, retired to Kengtung. About 1000 of the troops, after settling in Kengtung and finding that life there was fairly easy, asked permission of the General to retire from the army. He granted their request. The other 1000 have been billeted in various houses in Kengtung town, through the efforts of the Chief of the Chinese community. Almost all have sold their arms.**** The General returned on 10 June 1949 from a trip to Bangkok to report on the general situation to the Chinese Ambassador.

25X1A [REDACTED] Comment. The Chief of the Chinese community, who is supposed to be "the eyes and the ears" of the Nationalists in Kengtung, appears to be utterly incompetent. He claimed that "there are no Chinese Communists in Kengtung". Someone retorted, "The Chinese Communists know all about you and are writing about the 93d Division in the Chuan Min Pao; you should reciprocate". CHANG replied, "Yes, Yes!"

25X1A * [REDACTED] Comment. The Regent vigorously denied having promised assistance. It appears that CHANG's program is largely talk.

25X1A ** [REDACTED] Comment. This position is apparently that of political adviser or political commissar. The General, himself, is a dignified, unemotional, elderly man. Because of his age and lack of vigor, he can hardly be expected to play an important role. The General and most of his staff were observed smoking opium. An exception was a Colonel, about 35 years of age, a Cantonese who is head of the military police section. He was very taciturn and intelligent in appearance. The remnants of the 93d in Kengtung maintain little semblance of discipline.

25X1A **** [REDACTED] Comment. The sale of arms was reported [REDACTED] 25X1A

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